

TESTIMONY

of

Greg Dryer

on behalf of

Saputo Cheese USA Inc.

Consolidated Stabilization and Marketing Plan Hearing

Post Hearing Brief

September 17, 2013

Mr. / Ms. Hearing Officer and Members of the Hearing Panel:

Thank you for the opportunity to submit the following post-hearing brief.

Subsequent to my testimony, Dr. Richard Sexton, UC Davis Department of Agricultural Economics, provided testimony that appeared to refute my assertion regarding California's cost advantage resulting from its enormous scale of dairy operations. He presented a chart from USDA data which appeared to show that California producer margins were among the lowest in the country. The state of Washington was the one exception of significance. I have reviewed the USDA data and arrive at a drastically different conclusion. In 2010 and 2011, California ranked **fourth** among the 23 major dairy states as measured by value of production less total costs listed. For 2012, California fell from fourth to ninth but remained in the upper tier of states. To replicate Dr. Sexton's chart requires utilizing value of production less just "operating costs" and for 2012 only. That negates California's scale advantage by excluding the category of "allocated overhead" in which costs tend to be fixed in nature but real none the less. (See charts which follow.)

That there was a "deal" which was referenced time and again in testimony is based on the misconception that you can, in effect, line item veto elements of an offer, subsequently accept just those elements which you find appealing, and effectuate a contract. An offer was presented and was rejected. There was no counter offer.





